

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, DECEMBER 15, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, December 15, 2009, commencing at 7:02 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Hitchcock, and Mayor Katzakian

Absent: None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Receive Report on Fiscal Year 2008/09 Year-End Fiscal Condition (CM)

City Manager King briefly introduced the subject matter of the 2008/2009 Comprehensive Annual Financial Report (CAFR).

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding the 2008/2009 CAFR. Specific topics of discussion included the status of the City's financial position, highlights of the financial records, general fund unreserved fund balance, budget to actual variances, Community Center deficit unrestricted fund balance, Community Development deficit unrestricted fund balance, Recreation and Library unrestricted fund balances, Enterprise Fund status for electric utility, wastewater utility, and water utility, and Governmental Accounting Standards Board (GASB) 45 and 49 accounting requirements.

In response to Mayor Pro Tempore Hitchcock, Mr. King stated staff is providing numbers that are known now, rounded to a \$3.4 million general fund balance, the current year budget is premised on the expectation that the expenses will not exceed revenues, last year's budget difference was not expenditures but rather revenues that were not as high as anticipated, and the \$3.4 million also represents the one-time revenue that came from the sale of the Lockeford property.

In response to Mayor Katzakian, Mr. King stated revenue for the sale of the generator will be a one-time revenue source that will likely be received in 2010/2011 and it is recommended that the one-time revenue be spent on a one-time expenditure.

In response to Council Member Johnson, Mr. Ayers stated he is not sure of the amount of funding available from the Library Foundation or the Friends of the Library group as those funds are outside of the General Fund.

In response to Mayor Katzakian, Mr. Ayers and Mr. King confirmed that \$4.7 million would be coming back into the general operating reserve from the Lodi Energy Center as cash reserve that will go up in that amount from the reimbursement.

In response to Council Member Mounce, Mr. King stated the Water Fund is not rated, typically utility funds are rated and affected by the General Fund connection, and the CAFR reflects changes required by the new GASB requirements.

In response to Mayor Pro Tempore Hitchcock, Mr. King stated utility funding, including remediation costs, are expended in a targeted manner so that reimbursements can be made

accordingly.

In response to Council Member Mounce, Mr. Ayers stated the \$70 million figure came from the contracted engineering firm, which based the amount on remediation needs over the 30-year time period plus adjustments for inflation.

In response to Mayor Pro Tempore Hitchcock, Mr. Schwabauer confirmed that annual collection for PCE/TCE remediation was approximately \$2.2 million.

In response to Council Member Mounce, Mr. King stated the City is not affected by GASB to the extent that others are and the biggest affect is for post-employment benefits for employees hired prior to 1996 for sick leave conversion.

In response to Council Member Hitchcock, Mr. Ayers and Mr. King stated the actuarial numbers may include both tiers of employees, the before and after 1996, for sick leave conversion liability purposes and as a result the liability estimates may be greater. Mr. King stated the actual liability costs will also vary dependent upon which of the three ways are utilized for sick leave conversion by the eligible employees.

In response to Council Member Mounce, Mr. Ayers stated per GASB the City does not have to book the full liability, only show the current year liability. Further, Mr. King stated if one-time funding was used to fund the GASB liability, it could be restricted and set up as a trust fund.

In response to Council Member Johnson, Mr. King stated tomorrow the Council will see the CAFR, ask any questions of the auditor who will be present, go over the management letter for which there are no new comments, and review the closing numbers for June 30, 2009. Mr. King stated the mid-year review is scheduled for January 20 and staff will start with the \$3.4 million figure as the number for the current year budget. He stated adjustments for services and programs will need to be reviewed if it appears that the figures are coming in less than \$3.4 million.

In response to Council Member Hansen, Mr. Ayers stated typically the fourth quarter is the largest sales tax quarter with the other three building up to it. Mr. Ayers stated numbers are primarily driven by the construction industry, the projected sales tax reduction was 10% to 15%, and the actual decline was 20%.

In response to Council Member Mounce, Mr. King stated the cardroom revenue is up approximately \$100,000. Council Member Mounce asked Mr. Ayers to have a member of the Budget and Finance Committee be present at the Council meeting to convey the prior discussion and thoughts of the Committee on the CAFR.

C. Comments by Public on Non-Agenda Items - None

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:48 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Receive Report on Fiscal Year 2008-09 Year-End Fiscal Condition
MEETING DATE: December 15, 2009
PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive report on Fiscal Year 2008-09 Year-End fiscal condition.

BACKGROUND INFORMATION: The City has received its audited financial statements for the year ended June 30, 2009. Unrestricted fund balance in the General Fund was \$3,383,191. Fund balance was \$448,771 less than the projected unrestricted fund balance of \$3,831,962 that was used in preparing the 2009110 budget. The primary factor causing the reduced balance was further erosion of the revenue streams, particularly sales tax receipts.

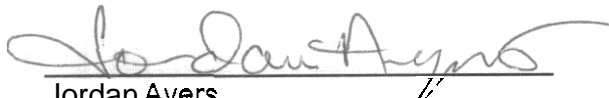
Other funds that are heavily dependent upon the General Fund include Community Development, Community Center, Recreation and Library. Council has previously received information in a Shirtsleeve meeting regarding the Community Center and Recreation Funds. Unrestricted fund balances for those funds was (\$236,711) and \$46,790, respectively. Unrestricted fund balance for the Community Development fund was (\$924,572). The deficit is related to the unprecedented decrease in development due to the slowing economy. Unrestricted fund balance for the Library fund was \$11,903.

Major enterprise fund unrestricted cash balances for the year were: Electric Utility - \$12,003,103, Wastewater Utility - \$7,499,322 and Water Utility - \$20,272,801.

Staff will provide a power point presentation at the Shirtsleeve.

FISCAL IMPACT: Beginning unrestricted fund balance in a number of funds is different than that anticipated in the budget process. Impact will be determined by the direction Council provides with respect to the variances.

FUNDING AVAILABLE: N/A


Jordan Ayers
Deputy City Manager

JA/ja

APPROVED: 
Blair King, City Manager

2008/09 Comprehensive Annual Financial Report

Shirtsleeve

December 15, 2009

Status of City's Financial Position

Highlights of Financial Records

● General Fund

- Unreserved Fund Balance of \$3,383,191
 - About \$450,000 less than projected for budget purposes
 - 8.87% of General fund expenditures
 - Minimum prudent reserve should be 15% of General Fund expenditures
 - \$5.7 Million based upon 2008/09 Expenditures
 - \$6.0 Million based upon 2009/10 Expenditures
 - Average bi-weekly payroll is \$1.27M
 - Current reserve covers less than 3 payrolls

Status of City's Financial Position

Highlights of Financial Records

● General Fund (cont.)

■ Unreserved Fund Balance

	Projected	Actual
2005/06	1,506,926	3,048,435
2006/07	3,500,000	4,175,522
2007/08	4,534,293	4,159,007
2008/09	3,831,962	3,383,191
2009/10	3,831,962	

Status of City's Financial Position

Highlights of Financial Records

● General Fund (cont.)

■ Budget to Actual Variances

- Sales taxes down over \$900,000
- Engineering fees down over \$400,000
- Fines and penalties up about \$160,000
- **One time property sale added about \$330,000**
- Expenditure savings of about \$950,000
 - Vacancies
 - Prudent management

Status of City's Financial Position

Highlights of Financial Records

● Community Center

- Deficit Unrestricted Fund Balance of \$236,711
 - Result of unplanned maintenance and equipment expenditures
 - Expect to recover deficit over a 3 year period

Status of City's Financial Position

Highlights of Financial Records

● Community Development

- Deficit Unrestricted Fund Balance of \$924,572
- Result of continuing economic decline and fee structure
- Fees increased and staffing reduced in 2009/10 to address shortfall

Status of City's Financial Position

Highlights of Financial Records

● Recreation

- Unrestricted Fund Balance of \$46,790

● Library

- Unrestricted Fund Balance of \$11,903

Status of City's Financial Position

Highlights of Financial Records

● Enterprise Funds

■ Electric Utility

- Local cash balance of \$12 million
- GOR balance of \$5.9 million

■ Wastewater Utility

- Cash balance of \$7.5 million
- Unrestricted net assets of \$7.0 million

Status of City's Financial Position

Highlights of Financial Records

- Enterprise Funds (cont)

- Water Utility

- Unrestricted cash balance of \$20.3 million

- Restricted cash balance of \$8.2 million

Status of City's Financial Position

Highlights of Financial Records

- New Accounting requirements

- GASB 49-Pollution Remediation

- Booked a liability of ~\$70 million

- Results in negative unrestricted net assets in the Water Fund

- GASB 45-OPEB

- Results in a \$1.2 million unfunded liability in the Benefits Fund